

## Message Text

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ACTION STR-07

INFO OCT-01 STRE-00 ISO-00 AGRE-00 CEA-01 CIAE-00  
COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05  
L-03 LAB-04 NSAE-00 PA-01 CTME-00 AID-05 SS-15  
ITC-01 TRSE-00 SP-02 SOE-02 OMB-01 DOE-15 NSCE-00  
SSO-00 ICAE-00 INRE-00 AF-10 ARA-10 EA-10 EUR-12  
NEA-11 IO-13 DOEE-00 JUSE-00 SIL-01 OIC-02 /154 W  
-----111741 161331Z /47/42

O 121724Z MAY 78 ZDK  
FM USMISSION GENEVA  
TO SECSTATE WASHDC IMMEDIATE 9601  
INFO ALL EC CAPITALS

LIMITED OFFICIAL USE SECTION 01 OF 02 GENEVA 07361  
CORRECTED COPY (PARA 5)  
USMTN, USEEC

ACTION STR PASS ELECTRICALLY  
PASS COMMERCE FOR STEINBOCK

E.O. 11652 N/A  
TAGS: MTN, ETRD  
SUBJECT: MTN: U.S./EC BILATERAL ON U.S. REQUESTS FOR  
- GREATER THAN FORMULA REDUCTIONS

1. SUMMARY. U.S. AND EC DELS HELD FULL-DAY SESSION MAY 8  
TO REVIEW U.S. REQUESTS FOR GREATER THAN FORMULA REDUC-  
TIONS. WITH EXCEPTION OF AEROSPACE WHERE THE EC SEEMED  
POSITIVELY INCLINED, EC DEL COMMENTS ON SPECIFIC ITEMS  
WERE VACUOUS, AND PROVIDED LITTLE ON WHICH U.S. DEL COULD  
MAKE JUDGEMENT AS TO LIKELIHOOD OF EC GRANTING REQUESTS.  
ON THE OTHER HAND, EC WAS WELL-PREPARED ON RATE-MATCHING  
QUESTION, AND FREQUENTLY WAS ABLE TO POINT OUT THAT THE  
RATE THE U.S. WAS REQUESTING WAS SIGNIFICANTLY BELOW U.S.  
OFFER. WE ALSO USED THIS SESSION TO 1) EXPLORE RATIONALE  
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FOR EC WITHDRAWALS, BOTH IN SPECIFIC AND GENERAL TERMS;  
AND 2) IMPRESS UPON THE EC (WITH MEMBER STATES PRESENT)  
URGENT NEED FOR ITEM-SPECIFIC REACTION TO U.S. GREATER-  
THAN-FORMULA OFFERS. DELEGATIONS AGREED TO MEET FOR MORE  
FOCUSED CONSIDERATION OF EACH OTHER'S REQUESTS IN LATTER  
PART OF MONTH. SEPTEL FOLLOWS REPORTING EC ITEM-SPECIFIC  
COMMENTS ON U.S. REQUESTS. END SUMMARY.

2. MTN DEL (MCNAMARA, MARSH, MALISH) MET ON MAY 8 WITH EC COMMISSION AND MEMBER STATES (DUGIMONT, DERISBOURG, LIBERTALIS, ET AL) TO REVIEW U.S. REQUESTS FOR GREATER-THAN-FORMULA REDUCTIONS. WE OPENED SESSION BY COMMENTING GENERALLY UPON EC WITHDRAWAL LIST, CITING THE DIFFICULT NEGOTIATING ENVIRONMENT CREATED BY THE EC PRESS RELEASE AND SUBSEQUENT LEAKS RE THE CONTENT OF THE LIST. THE SITUATION WAS EVEN MORE DISTURBING BECAUSE THE LIST INCLUDED A SIGNIFICANT NUMBER OF ITEMS OF IMPORTANCE TO U.S. INDUSTRIES WHICH HAD BEEN PRO-MTN, AND WHOSE SUPPORT WE HAD TO MAINTAIN. EC DEL APOLOGIZED FOR PRESS LEAKS CONCERNING CONTENT OF LIST BUT DEFENDED NEED FOR GENERAL PRESS RELEASE ON GROUNDS THAT COMMISSION LIVED IN A "GLASSHOUSE." EC DEL ASSERTED THAT ITS LIST WAS COMPARABLE IN SCOPE AND POTENTIAL IMPACT TO U.S. EXCEPTIONS WHEN ONE TAKES INTO ACCOUNT HOW SERIOUSLY U.S. EXCEPTIONS UNDERMINE THE HARMONIZATION OBJECTIVE. EC DEL ALSO CLAIMED POSSIBLE WITHDRAWALS NEEDED TO REESTABLISH BALANCE IN SECTORS WHERE U.S. OFFERS HAVE YET TO BE SPECIFIED.

2. DUGIMONT PREFACED HIS REMARKS ON SPECIFIC U.S. INTERESTS BY CITING EC ANALYSIS WHICH SHOWED THAT AVERAGE TRADE-WEIGHTED DUTY ON U.S. REQUEST LIST WAS 9 PERCENT AND THAT U.S. WAS REQUESTING THAT THE AVERAGE BE REDUCED TO 2.3 PERCENT.

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CENT, I.E. AN OVERALL DEPTH-OF-CUT OF 75 PERCENT FROM THE CURRENT LEVELS. BY COMPARISON, THE U.S. WAS OFFERING GREATER-THAN-FORMULA CUTS ON DUTIES AVERAGING 4.6 PERCENT, AND OFFERING A DEPTH-OF-CUT AVERAGING 64 PERCENT. HE ALSO NOTED THAT THE REQUESTS COVERED MORE THAN 50 PERCENT OF OUR DUTIABLE TRADE WITH THE EC, ALTHOUGH OUR AVERAGE MARKET IN THE ITEMS CONCERNED WAS JUST BARELY OVER 50 PERCENT. DUGIMONT STATED THAT WHILE THE EC WAS WILLING TO EXAMINE U.S. REQUESTS ON AN ITEM-BY-ITEM BASIS, SEVERAL MEMBER STATES WERE OFFENDED BY THE LENGTH AND SCOPE OF THE U.S. LIST. THE EC ASSUMED, AFTER ALL THE EARLIER BATTLES OVER THE FORMULA, THAT THE TARIFF NEGOTIATIONS WOULD BE A FORMULA EXERCISE AND IT NEVER EXPECTED TO BE ENGAGED IN SUCH EXTENSIVE ITEM-BY-ITEM TALKS.

3. EC COMMENTS ON SPECIFIC ITEMS USUALLY RELATED TO THE U.S. SUPPLIER POSITION OR UPON THE FACT THAT THE RATE-MATCHING GOAL CITED EARLIER BY THE U.S. DID NOT APPEAR TO APPLY. IN MANY CASES, THE EC CLAIMED EASTERN EUROPEAN COUNTRIES WERE IMPORTANT SUPPLIERS, AND THE EC WOULD FIND IT VERY DIFFICULT TO MOVE ON SUCH ITEMS. ON OTHER ITEMS, EC CITED JAPAN'S RECENT APPEARANCE AS COMPETITIVE WORLD

SUPPLIER AS A REASON FOR BEING RELUCTANT TO MEET U.S. REQUESTS.

4. THE EC'S ONLY POSITIVE SIGNAL ON A U.S. REQUEST CAME ON AEROSPACE, WHERE DUGIMONT SAID THE REQUEST WAS ACTIVELY UNDER CONSIDERATION. HE ADDED, HOWEVER, THAT IF THE JAPANESE DID NOT AGREE TO FULL FORMULA REDUCTIONS ON THESE ITEMS, A BILATERAL DEAL WAS DOUBTFUL.

5. IN SUMMING UP, DUGIMONT ADMITTED EC HAD FAR FROM FINISHED INTERNAL EXAMINATION OF U.S. REQUESTS. HE ADMITTED THAT U.S. HAD MADE STRONG ECONOMIC CASE FOR FURTHER REDUCTION ON SOME ITEMS, AND URGED THAT WE CONCENTRATE IN THE FUTURE ON ITEMS WE COULD JUSTIFY ON THE BASIS OF COMMERCIAL INTEREST, AS OPPOSED TO QUESTION OF RATE LIMITED OFFICIAL USE

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NEA-11 IO-13 DOEE-00 JUSE-00 SIL-01 OIC-02 /154 W  
-----085356 121831Z /72

O 121724Z MAY 78  
FM USMISSION GENEVA  
TO SECSTATE WASHDC IMMEDIATE 9602  
INFO ALL EC CAPITALS

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USMTN, USEEC

ACTION STR PASS ELECTRICALLY PASS COMMERCE FOR STEINBOCK

EQUITY. DUGIMONT CONCLUDED BY NOTING THAT GOING DEEPER

THAN FORMULA WOULD DEPEND ON 1) THAT OTHER COUNTRIES ADHERED TO THE FORMULA, ESPECIALLY WHERE DUTIES WERE HIGH; AND 2) THE EC'S OWN ECONOMIC INTERESTS ARE SERVED.

6. AT END OF SESSION, U.S. REQUESTED MEETING WITH EC ON WITHDRAWALS OF PARTICULAR CONCERN TO THE UNITED STATES WHICH WERE NOT AMONG OUR REQUESTS FOR DEEPER-THAN-FORMULA REDUCTIONS. EC AGREED TO MEET WITH THE U.S. ON WEDNESDAY, MAY 17 TO REVIEW THESE ITEMS. ACTION REQUESTED: CONFIRMATION BY WASHINGTON THAT ITEMS IDENTIFIED ON MTN DEL- PREPARED TABULATION (HAND-CARRIED BY MATTHREFON) AS MAINTENANCE ITEMS AND ON EC WITHDRAWAL LIST ARE ITEMS WHICH U.S. DEL SHOULD DISCUSS AT MAY 17 SESSION. MTN DEL WOULD ALSO APPRECIATE SUGGESTED ARGUMENTATION FOR EXPLAINING U.S. INTEREST IN MAINTENANCE OF EC OFFER ON LIMITED OFFICIAL USE

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THESE ITEMS. (COMMENT: RATE-MATCHING HAS NOT PROVED TO BE A PARTICULARLY STRONG U.S. ARGUMENT, IF FOR NO OTHER REASON BECAUSE OF DIFFICULTY IN CONCORDING RATES, AND IT WOULD BE FAR BETTER IF COMMERCIAL CONSIDERATIONS COULD BE CITED. END COMMENT.

7. DRAFTED BY MARSH. MCDONALD

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## Message Attributes

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